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IMPLEMENTATION OF THE INTERNATIONAL COVENANT ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS

DAY OF GENERAL DISCUSSION

Globalization and its impact on the enjoyment of economic and social rights

Monday, 11 May 1998

Globalization and the human rights set forth in articles 6 to 8 of the International Covenant on Economic, Social and Cultural Rights

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GLOBALIZATION AND THE HUMAN RIGHTS SET FORTH IN ARTICLES 6, 7 AND 8 OF THE INTERNATIONAL COVENANT ON ECONOMIC, SOCIAL AND CULTURAL RIGHTS

I. Globalization and trade union rights

1. A major characteristic of globalization is the internationalization of production and services mainly involving transnational corporations (TNCs). The mobility of transnational corporations (the possibility of relocating from one country to another in a very short time) in peripheral countries, in particular, limits the ability of their employees to bargain collectively. If a TNC considers that workers' claims are excessive, it may threaten to withdraw from the place of establishment or to split its production up over several sites. 1/ Sometimes, in order to stimulate foreign investment, States may restrict trade union rights. 2/

2. Export processing zones are a prime example of the restriction of workers' rights and the right to organize, linked to the establishment of transnational corporations. 3/ For example, in the free zones of the Dominican Republic, about 90 per cent of companies are multinationals, the vast majority being United States-based. In 1985, 67 per cent of employees were women 4/ and it is estimated that this percentage has climbed to 80 per cent.

3. According to information received from the United Workers' Confederation (CTU) of the Dominican Republic, the average free zone salary is below the national minimum wage. In April 1995, trade unions obtained an across-the-board salary increase of 20 per cent. Transnational corporations operating in the free zones challenged this increase before the Salaries Committee. After lengthy negotiations, the companies accepted a two-phase increase: 10 per cent in April and a further 10 per cent in September 1995. Between 1992 and 1994, 114 trade unions were formed in the Dominican Republic free zones, of which only 7 per cent remain, as the members of the organizing committees were dismissed by the companies (information supplied by the CTU).

4. According to the 1995 annual report of the International Confederation of Free Trade Unions (ICFTU), a similar situation exists in the free zones of Honduras, El Salvador and other countries on other continents. The report also notes that, in the United States where the vast majority of transnational corporations are based), at least 1 in 10 trade union members promoting the establishment of a trade union is unfairly dismissed by the employer. It is therefore not surprising, states the report, that this country has never signed the ILO Conventions No. 87 (on the right to organize) and No. 98 (on collective bargaining).

5. "The tenet that franchies have served as a powerful engine for job creation and that any jobs are better than no jobs echoes arguments increasingly put forth today", notes Mr. Dan Gallin, Secretary-General of the International Union of Food and Allied Workers' Associations (IUF). "For IUF members", adds Mr. Gallin, "the experience of work in 'really existing franchises' has all too often been a massive disenfranchisement of the basic democratic rights, including the right to organize and bargain collectively ... Employment conditions at companies like KFC and McDonald's are characterized by low pay, poor conditions, and for many part-time

workers, a total lack of basic socia. prtoection". Gallin noted cases of trade union rights violation ny McDonald's in Toronto, Canada, and Lyon, France. 5/

6. The Central American Labour Ministers who met in Nicaragua on 7 and 8 March 1996 adopted the Montelimar Declaration, which states, inter alia, that some transnational corporations operating in free economic zones are flouting labour law and violating human rights. 6/

II. Globalization and the right to work

7. One general comment that can be made is that, over the last few decades, transnational corporations have become much more involved in the world economy. Their investment has also increased significantly and yet, at the same time, world unemployment has risen at an alarming rate to become one of the most serious social ills of our time. The 100 largest transnational corporations control a third of foreign direct investment and the total sales of all TNCs put together exceed total world exports. 7/

8. Between 1985 and 1992, TNC foreign direct investment almost tripled (from $674 million to $1.932 billion), but it generated only 8 million jobs throughout the world (an increase from 65 to 73 million jobs), including 5 million in developing countries (an increase from 7 to 12 million jobs). Seventy-three million jobs represent 3 per cent of the total world labour force and 12 million jobs in developing countries, which account for 2 per cent of their labour force. 8/ The 5 million jobs created by TNCs between 1975 and 1992 in developing countries represent less than 5 per cent of the registered unemployed in those countries and about 1 per cent of the real unemployed. The 3 million jobs created by TNCs between 1985 and 1992 in developed countries represent less than 10 per cent of the unemployed in those countries (35 million currently unemployed in the countries of the Organization for Economic Cooperation and Development).

9. The number of jobs and the rate at which TMCs create jobs are thus insignificant when compared to these companies' global capital, their annual investment growth and their importance in the world economy. These same factors are even more insignificant in relation to the world labour force and the current number of unemployed persons.

10. This is the result of the fact that TNC investment is capital-intensive and geared towards new technologies (information technology, electronics, etc.), which destroy rather than create jobs. In general, the ratio of invested capital to job creation by TNCs is very high if compared with small and medium-sized enterprises. 9/

11. Consequently, in terms of the possible creation of indirect employment, it is estimated that 12 million such jobs are created in developing countries, i.e. a number of jobs equal to those created by TNC direct employment. 10/

12. But TNC activity in developing countries has a negative effect on employment in general, as it causes the disappearance of domestic craft and other industries, with an accompanying increase in unemployment. There are exceptions, as occurs for example, with automative factories. These encourage

the creation of subcontracting firms which manufacture different components. Domestic firms used to handle these subcontracts, but they have been replaced by large transnational corporations.

13. Another underlying negative effect of TNCs on employment is their extreme mobility, i.e. their ability to relocate from one country to another in search of better comparative advantages, in particular cheaper labour, as often happens in the textile and electronics industries. When a TNC leaves one country to set up in another, it obviously has to lay off staff in the former country.

14. A large portion of TNC foreign direct investment is injected into export processing zones (176 zones in 47 developing countries in 1986, where TNCs employed 1.3 million persons and 600,000 more in similar sites in the free zones in the mid-1980s). 11/ The TNCs operating in free zones are largely assembly plants ("maquiladoras") with little or no spin-off for the economy and employment in the country in which they operate. 12/

15. It may therefore be concluded that "... there is no reason to assume that worldwide MNE [TNC] employment will change very much in the years to come. By contrast, world economically active population is still growing rather rapidly at a pace of more than 2 per cent annually. According to ILO calculations ... at least 600 million new jobs have to be created by the year 2000 if anything approaching full employment is to be approached. That is, direct MNE employment in all its dimensions is not only, in numerical terms, almost marginal, but its percentage share in world economically active population may in fact even diminish". 13/

Notes

1/ UNCTAD, World Investment Report. Transnational Corporations, Employment and the Workplace, 1994, pp. 251-253.

2/ UNCTAD, op. cit. p. 257.

3/ UNCTAD, Box VI.3 (p. 260), op. cit.

4/ Francisco de Moya Espinal, "Las zonas francas industriales y las empresas multinacionales: efectos económicos e impacto sobre el empleo en la República Dominicana", International Labour Office, Working Paper No. 46, Geneva, 1986.

5/ World of Work, The Magazine of the ILO, No. 10, December 1994, p. 13.

6/ Commission on Human Rights, E/CN.4/1996/SR 17, p. 10.

7/ UNCTAD, World Investment Report, Transnational Corporations, Employment and the Workplace, 1994, p. xxi.

8/ UNCTAD, op. cit., pp. 175 and xxiii. See also: ILO, Promoting Employment; Report of the Director-General. Internatonal Labour Conference, eighty-second session, 1995, p. 24 of the Spanish edition.

9/ Basualdo, Lifschitz y Roca, Las empresas multinacionales en la occupación industrial en la Argentina, 1973-1983, ILO, Working Paper No. 51, 1988, pp. 56 and 57.

10/ ILO, Report of the Director-General, cit. p. 24.

11/ Kreye, Heinrichs and Fröbel, Multinational enterprises and employment, Working Paper No. 55, ILO, 1988, p. 15.

12/ Mercedes Pedrero Nieto and Norma Saavedra, La industria maquiladora en México, Working Paper No. 49, ILO, 1987, pp. 81-82.

13/ Kreye et al. op. cit. p. 25.